

Department of Public Health
and Human Services

FAMILY MEDICAID

DRAFT

Section:
ELIGIBILITY & BENEFIT
DETERMINATION

Subject:
Income Disregards

Supersedes: FMA 602-1, 11/01/01

► **References:** ARM 37.82.101

► **GENERAL RULE**--Income disregards are certain amounts and types of income subtracted from the filing unit's countable gross income to determine the net monthly income amount. The income disregards reduce the amount of countable income used to test against the Benefit Standard for the household's size and circumstances.

There are two types of income disregards - earned income disregards and an obligated income disregard.

Earned income disregards take into account the expenditures related to employment such as dependent care, and are allowed for all Medicaid subtypes. The amount allowed per program varies.

The **obligated income disregard** addresses the legally binding child support obligation, and is only allowed for non-Medically Needy Family-related Medicaid. **Legally obligated child support is not an allowable deduction for Medically Needy and Poverty Level Medicaid programs.** The child support must be paid to allow the deduction.

EARNED INCOME DISREGARDS

► **FAMILY-RELATED** Earned income disregards are subtracted from **each** wage earner's gross monthly earned income in a specific order to establish the filing unit's countable monthly income. All earned income disregards will be allowed if the GMI (Gross Monthly Income) test is passed. If the GMI test is not passed, no disregards are allowed. The disregards and the order in which they are applied are:

NON MEDICALLY
NEEDY (FM, QP
& FW)

1. \$200 work expense
2. 25% of remaining earned income, and
3. Up to \$200 per month per dependent (regardless of their age) for care required for employment or training.

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

► **FAMILY-RELATED
MEDICALLY
NEEDY (FM, QP,
RK & FW)** Earned income disregards are subtracted from each wage earner's gross monthly earned income in a specific order to establish the filing unit's countable monthly income. Certain disregards will be allowed if the GMI test is passed. If the GMI test is not passed, no disregards are allowed. The disregards and the order in which they are applied are:

1. \$90 work expense, and
2. Up to \$175 per month per dependent age 2 or over or up to \$200 per month per child under age 2 for care required for employment or training.
3. \$30 and 1/3 of remaining earned income (see '\$30 and 1/3 test', later in this section to see if these disregards will be allowed).

**POVERTY LEVEL
(PC, PS & PW)** Earned income disregards are subtracted from each wage earner's gross monthly earned income in a specific order to establish the filing unit's adjusted gross monthly income. Unearned income is then added to determine total countable income. All disregards will be allowed prior to testing income eligibility against 100% or 133% of the Federal Poverty Level (FPL). The disregards and the order in which they are applied are:

1. \$120 work expense, and
2. Up to \$200 per month per dependent (regardless of their age) for care required for employment or training.

► **WORK EXPENSE
DISREGARD** The first \$90, \$120 or \$200 (depending on program as listed above) is deducted from each wage earner's monthly earnings, whether employed full or part-time. This deduction is for work-related expenses such as mandatory payroll deductions and union fees.

► **DEPENDENT
CARE DISREGARD** The dependent care disregard, up to \$200 per month (or up to \$175 per month if the dependent is age two or older and the case is medically needy) per individual is available for each dependent child or incapacitated adult who is:

1. Living in the same home as the earner **and**;
2. Receiving Medicaid benefits or would be except they are excluded pursuant to federal regulations such as a child receiving SSI; **and**
3. Cared for by someone who is not a member of the filing unit.

Allow dependent care costs when necessary for a household member to:

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

1. Accept or continue employment;
2. Seek employment; or
3. Attend training or schooling preparatory to employment.

Reasonable costs to transport a dependent to or from care are an allowable dependent care expense.

The earner must be at or en route to or from the place of employment/training/job search or dependent care site to allow the dependent care expense for the time the services are or will be provided. This information must be documented in system case notes.

The recipient must provide a signed statement from the dependent care provider that lists the individual(s) in care, hours of care and amount of monthly charges for this expense to be allowed.

DETERMINING MONTHLY DAY CARE EXPENSES--Calculate the expense based on the amount the earner is obligated to pay. To determine monthly day care expenses:

1. Prospectively, use the best estimate of costs based on past and current expenditures, or factor if billed weekly or biweekly; or
2. Retro Medicaid eligibility, use the dependent care costs actually paid in the benefit month (the system will allow up to \$175 or \$200 per dependent based on open involvements and dependent's age) for services provided in either the:
 - a. Benefit month; or
 - b. Month immediately prior to the benefit month.

Document system case notes.

NOTE: When a portion of the dependent care expense is reimbursed or paid for by block grant childcare, allow only the amount of the expense in excess of these payments (i.e., co-pay or over and above charges).

TEAMS Process: Code the employment-related dependent care expense on the EXPE screen against the dependent receiving the care. The system considers a child coded 'SC' on SEPA (SSI recipient) as included and will allow the disregard for the wage earner. Code 'DA' (allowable for TANF and FMA) or 'DC' (allowable for all programs) as appropriate.

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

**OBLIGATED
INCOME
DISREGARD**

The filing unit is also allowed an income disregard designed to encourage parents to fulfill their legally binding child support obligation. This disregard is subtracted from countable income after all allowable earned income disregards are deducted and the unearned income is added to the gross earned income. Verification of child support obligation and payment history must be provided. Action taken must be documented in system case notes.

The obligated income disregard is **not allowed for Poverty Level or Medically Needy** cases.

1. Prospectively, use the best estimate of costs based on past and current payments to prospect the amount paid (use SEARCHS whenever possible); or
2. Retro Medicaid eligibility, use the child support costs actually paid in the benefit month.

NOTE: Garnished earned income is countable in full. However, if the amount being garnished is for legally obligated child support, that portion may be an allowable deduction.

**GMI TEST - NON
MED NEEDY (FM,
QP & FW)**

Test all countable income of the filing unit against the GMI standard. There is no NMI test for non-medically needy Family-related Medicaid. All disregards will be allowed if the GMI test is passed.

If the GMI test is passed, allow the:

1. \$200 standard work expense;
2. 25% disregard;
3. Applicable dependent care costs; and
4. Legally obligated and paid child support.

If legally obligated child support is not being paid, no deduction is allowed.

Test the adjusted monthly income against the Benefit Standard.

If the GMI test is not passed:

1. Do not allow any income disregards or deductions; and
2. Test gross income against:
 - a. Appropriate program standards; or

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

GMI TEST
**MED NEEDY (FM,
QP, RK & FW)**

b. The Medically Needy Income Level (MNIL)

Test all countable income of the filing unit against the GMI standard.

If the GMI test is passed, allow the:

1. \$90 standard work expense; and
2. Applicable dependent care costs (up to either \$175 or \$200, depending on dependent's age).

If the GMI test is not passed:

1. Do not allow any income disregards or deductions; and
2. Test gross income against the Medically Needy Income Level (MNIL)

► \$30 & 1/3 TEST

The \$30 & 1/3 disregards can be allowed, if the applicant/recipient:

1. Received non medically needy MA-FM or QP in one of the past four months; **or**

Passed the NMI test (for the appropriate household size) without deducting the wage earner's \$30 & 1/3 disregard; **and**

2. Has accrued no more than three consecutive months of \$30 & 1/3 disregard for medically needy MA-FM, QP or RK; unless at least 12 consecutive months have passed since the person received the above listed Medicaid coverage groups.

NOTE: This information is tracked and displayed on the PRAW screen.

If the \$30 and 1/3 Test is passed:



1. Allow the \$30 and 1/3 disregard for up to 4 consecutive months. The 1/3 disregard cannot be received for more than 4 consecutive months; once the 4th consecutive month has passed, the 1/3 disregard is not allowed again unless at least 12 consecutive months have passed since the person received Medicaid.
2. Allow the \$30 disregard for an additional 8 consecutive months.

NOTE: If a balance of \$0.01 or more remains after deducting the \$90 work expense, the recipient is considered to have received the \$30 & 1/3 disregard for that month. A balance of \$0.00 breaks the 4 consecutive month period and the \$30 & 1/3 cycle may begin again.

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

If the \$30 and 1/3 Test is NOT passed:

1. Allow the \$90 work expense and dependent care expense;
2. Do not allow the \$30 and 1/3 disregards.

**TEAMS
PROCESSING**

TEAMS processes the income disregards and displays the allowed amounts on the EXBD screen. Eligibility is also displayed.

If the case is medically needy, the incurment amount will show on the INCU screen.

**SAMPLE
CALCULATION**

All FMA Coverage Groups:

Assuming the filing unit has passed the GMI, subtract the appropriate standard earned income work expense, the 25% or \$30 & 1/3 earned income disregards (in the chart below, we assume the case passed the \$30 & 1/3 test), the appropriate child care disregard, add any unearned income and subtract the paid child support (if allowed) disregards to arrive at a subtotal. There is one wage earner in this example.

	<u>Non Med Needy</u>	<u>Med Needy</u>	Poverty Level
Gross earned income	\$ 690	\$ 690	\$ 690
Standard work expense	- 200	- 90	- 120
SUBTOTAL	490	600	570
25% disregard	- 123	not allowed	not allowed
\$30 disregard (if eligible)	not allowed	- 30	not allowed
SUBTOTAL	367	570	570
1/3 disregard (if eligible)	not allowed	- 188	not allowed
SUBTOTAL	367	382	570
Child Care	- 200	- 175	- 200
SUBTOTAL	167	207	370
Unearned income	+ 100	+ 100	+ 100
SUBTOTAL	267	307	470
Legally obligated child support paid	- 100	not allowed	not allowed
ADJUSTED INCOME	167	307	470

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

EXAMPLES

Non-Medically Needy Family-Related: Household of 3, 1 adult and 2 children. Resource eligible. Mom works part-time and has gross income of \$250 bi-weekly. She also receives \$100 child support per month and pays \$200 in daycare.

	MA-FM	
Gross earned	\$ 537.50	250 X 2.15
Unearned	+ 100.00	Child support
TOTAL gross income	\$ 637.50	
GMI Standard	\$1164.00	Passes - Disregards are allowed
Earned income	\$ 537.50	
Standard work expense	- 200.00	
SUBTOTAL	\$ 337.50	
25% disregard	- 84.38	
SUBTOTAL	\$ 253.12	
Dependent care expense	- 200.00	
SUBTOTAL	\$ 53.12	
Unearned income	+ 100.00	Child support
ADJUSTED INCOME	\$ 153.12	
Benefit Standard	\$ 491.00	Passes – Eligible

Passes Benefit Standard; eligible (all are coded 'IN' on SEPA)

Medically Needy Family-Related: Household of 2, mom, and her 16-yr-old son. Resource eligible. Mom just started a part-time job, 18 hrs/wk at \$5.50/hr and is paid the 5th and 20th of each month. She also receives \$250 per month child support.

Monthly income is prospected using the 13-week method (as there is no income history), as follows: 18 hrs/wk X \$5.50 = \$99.00/wk X 13 wks = \$1287.00 ÷ 3 = \$429/mo.

The system will first test the case for non-medically needy coverage. If the case fails this eligibility, the system will then automatically test for medically needy coverage. The first chart shows the non-medically needy test.

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

	MA-FM	
Gross earned	\$ 429.00	18 hrs/wk X \$5.50 X 13 wks ÷ 3 months
Unearned	+ 250.00	Child support
TOTAL GROSS	\$ 679.00	
GMI	\$ 923.00	Passes GMI; subtract disregards
Earned Income	\$ 429.00	
Standard work expense	- 200.00	
SUBTOTAL	\$ 229.00	
25% disregard	- 57.25	
SUBTOTAL	\$ 171.75	
Unearned income	+ 250.00	Child Support
ADJUSTED AMT	\$ 421.75	
Benefit Standard	\$ 392.00	Fails Benefit Standard; is medically needy; use \$90 + \$30 & 1/3 disregards to determine incurment amount

As the case has been determined to be medically needy, the medically needy disregards must be applied (the system will apply the \$90 disregard and perform the \$30 & 1/3 test).

	\$30 & 1/3 passed	\$30 passed	\$30 & 1/3 not passed	
Gross earned	\$ 429.00	\$ 429.00	\$ 429.00	18 hrs/wk X \$5.50 X 13 wks ÷ 3 months
Unearned	+ 250.00	+ 250.00	+ 250.00	Child support
TOTAL GROSS	\$ 679.00	\$ 679.00	\$ 679.00	
GMI	\$ 923.00	\$ 923.00	\$ 923.00	Passes GMI; subtract disregards
Earned Income	\$ 429.00	\$ 429.00	\$ 429.00	
Standard Wk Exp	- 90.00	- 90.00	- 90.00	
SUBTOTAL	\$ 339.00	\$ 339.00	\$ 339.00	
\$30 disregard	- 30.00	- 30.00	not allowed	
SUBTOTAL	\$ 309.00	\$ 309.00	\$ 339.00	
1/3 disregard	- 103.00	Not allowed	not allowed	
SUBTOTAL	\$ 206.00	\$ 309.00	\$ 339.00	
Unearned income	+ 250.00	+ 250.00	+ 250.00	Child Support
ADJUSTED AMOUNT	\$ 456.00	\$ 559.00	\$ 589.00	Compare to Benefit Standard
Benefit Standard	\$ 392.00	\$ 392.00	\$ 392.00	Fails Benefit Standard; compare to MNIL to determine incurment amount
MNIL	\$ 525.00	\$ 525.00	\$ 525.00	
Incurment Amt	\$ 0.00	\$ 34.00	\$ 64.00	

Section: ELIGIBILITY & BENEFIT
DETERMINATION

Subject: Income Disregards

Because the case is medically needy, and mom cannot receive coverage, it would be best to test for MA-PS coverage for the 16-year-old.

Medically Needy - 2 wage earners: Household of 4 consists of mom, dad, and their 2 children. Mom works part-time and receives wages of \$75 every other Thursday; she also receives \$100/mo in disability. Dad also works part-time and receives salary of \$475 on the 5th and 20th of each month. The case has already been determined medically needy, so only the medically needy process is illustrated below.

	Mom	Dad	Total	
Gross earned	\$ 161.25	\$ 950.00	\$ 1111.25	Mom's income is factored; dad receives salary, so not factored
Unearned	100.00	0.00	\$ 100.00	
TOTAL GROSS	\$ 261.25	\$ 950.00	\$ 1211.25	
GMI			\$ 1404.00	Passes GMI; disregards allowed
Earned Income	\$ 161.25	\$ 950.00	\$ 1111.25	
Standard Wk Exp	\$ 90.00	\$ 90.00	\$ 180.00	Both receive the \$90 disregard
SUBTOTAL	\$ 71.25	\$ 860.00	\$ 931.25	
\$30 disregard	\$ 30.00	\$ 30.00	\$ 60.00	Both are eligible for the \$30 disregard
SUBTOTAL	\$ 41.25	\$ 830.00	\$ 871.25	
1/3 disregard	\$ 13.61	not allowed	\$ 13.61	Mom is eligible, but dad has already used his 4 consecutive months
SUBTOTAL	\$ 27.64	\$ 830.00	\$ 857.64	
Unearned Income	\$ 100.00	\$ 0.00	\$ 100.00	Disability payment
SUBTOTAL	\$ 127.64	\$ 830.00	\$ 957.64	
Benefit Standard			\$ 591.00	
MNIL			\$ 792.00	
Incurment Amt			\$ 165.64	\$957.64 minus \$792.00 (MNIL)

KQ

o O o